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SUBJECT: UNCTAD: ISAR Meeting - Accounting Builds Goodwill

11. SUMMARY: The US built goodwill at this year's meeting of the Intergovernmental Working Group of Experts on International Standard of Accounting and Reporting (ISAR), through high-level participation by SEC Deputy Chief Accountant Erhardt and by hosting a town-hall style lunch meeting where developing countries shared best practices and challenges in implementing accounting standards. UNCTAD signed a Memorandum of Understanding with USAID Contractor Carana Corporation and Leiden University for a USAID program aimed at improving financial transparency and good governance. ISAR meetings, which nurture developing countries' bookkeeping capacities and compliance with internationally accepted accounting standards, are among the most productive that the UN Conference on Trade and Development (UNCTAD) holds. END SUMMARY.

BACKGROUND

12. ISAR has been operating as an UNCTAD working group for 26 years and has built a network of over 1,000 accounting experts worldwide. ISAR's purpose is to help developing countries understand and comply with internationally accepted accounting standards and to build their capacity in the accounting profession.

13. ISAR's annual meeting on October 7-9 in Geneva focused on the impact of the financial crisis on International Financial Reporting Standards (IFRSs), and included over 250 participants, most of whom were the chief accountant of their countries' government agencies. The meeting covered practical implementation issues of IFRSs; the effects of the credit crisis on financial reporting; accounting and financial reporting needs of Small and Medium Sized Enterprises (SMEs); capacity building in accounting and reporting; corporate governance disclosure; and, environmental and corporate responsibility reporting. Agreed conclusions from the meeting are available at the UNCTAD website at www.unctad.org.

Keynote Speech

14. Julie Erhardt, Deputy Chief Accountant of the US Securities and Exchange Commission (SEC), spoke about the hopes and challenges in implementing IFRSs. Her five hopes are:

a) to welcome - the need to recognize the global mosaic and make everyone feel like they can play a part in the global accounting framework even before full adoption of IFRSs;

b) to nurture, which centers on education and issues of collective action;

c) to empower, which must involve addressing local incentives around use of the IFRSs because current incentives may be geared in support of the status quo;

d) to serve - especially investors who will benefit the most - by continually improving IFRSs for implementation lessons learned; and

e) to celebrate, which means looking past the dry technical work to envision how people and society will be better off with IFRSs. Her comments were well received and fostered goodwill for the US.

MOU

15. Taking advantage of the conference event, UNCTAD's Deputy Secretary General Draganov signed a Memorandum of Understanding with USAID contractor Carana Corporation and Leiden University (from the Netherlands) that launches a tripartite effort for a USAID initiated program aimed at improving financial transparency and good governance. Specifically, the agreement will expand the application of the Accountancy Development Index (ADI) that was designed and piloted by USAID under contract with Carana Corporation. The ADI is a user friendly index that provides a detailed analysis through easy-to-read graphics on how well a particular country is complying with international standards for accounting and auditing. The partners will continue to refine the index and provide the technical assistance and training necessary for its further testing and adaptation by UNCTAD member countries. USAID's Senior Development Counselor served as witness to the signing of the MOU. USAID funding for ADI will conclude in March. UNCTAD and Leiden University were effusive in their praise of USAID's leadership role in developing this useful analytical tool.

Mission Lunch

16. Mission hosted a lunch in honor of Ms. Erhardt which brought together 40 guests consisting of decision makers in accounting from the developing world who shared their experiences, representatives from the UNCTAD secretariat who discussed their capacity-building work, and several Geneva-based diplomats from donor countries that might contribute to UNCTAD's technical assistance, supporting implementation of IFRSs in developing countries. During a town-hall format discussion over lunch, participants expressed great interest in using web-based tools, such as IFRS educational videos made available over the internet, to train and build capacity in the developing world to implement IFRSs. They considered creating videos on real life implementation of the IFRSs to bring the accounting training to life. Participants emphasized that training materials should be in multiple languages. The lunch was very positive and fostered more goodwill for the US.

Comment

17. ISAR arguably is one of the best expert meetings sponsored by UNCTAD. Although accounting rules may be overlooked in development contexts, economic development is not possible without it. ISAR's technical assistance is a useful factor to making development possible. Also, with environmental considerations such as climate change becoming more important, accounting conventions, such as those that might be needed for measuring greenhouse gases, may prompt greater need for ISAR's activities.

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